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RUEATRS/DEPT OF TREASURY WASHINGTON DC  
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UNCLAS SECTION 01 OF 02 MATAMOROS 000172

SENSITIVE  
SIPDIS

STATE FOR WHA/MEX, WHA/EPSC, EEB/EPSC  
USDOC FOR ITS/TD/ENERGY DIVISION  
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NSC FOR RACHEL WALSH  
DOI FOR RENEE ORR AND KEVIN KUNKEL  
EPA FOR LISA ALMODOVAR

E.O. 12958: N/A  
TAGS: [ECON](#) [ENRG](#) [SENV](#) [MX](#)  
SUBJECT: THE WINDS OF (ENERGY) CHANGE ARE BLOWING IN NORTHEAST  
MEXICO

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1. (SBU) Summary: The state of Tamaulipas in northeast Mexico has several wind energy projects under development with the Border Environment Cooperation Commission (BECC). The inaugural project, Los Vergeles, will be the first wind energy project in Mexico to supply public sector energy needs, with 161 megawatts of installed capacity. Forty-three municipalities within the state of Tamaulipas are committed to the project, which is scheduled to break ground in November 2009. The head of the Tamaulipas Environmental Agency for Sustainable Development has stated in local media that Los Vergeles has been certified by BECC for NADBANK funding. While BECC sources confirm the project is currently in the development phase, they say it has not yet been approved for NADBANK funding. Tamaulipas Governor Hernandez Flores is determined to be the first Mexican governor whose state has municipalities powered in part by wind energy and is exerting heavy political pressure to have the project generating electricity before the end of his term in a year and a half. End Summary.

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First of a kind in Mexico  
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2. (U) Under Mexican law, the generation, transmission, distribution, and marketing of electric power for public service purposes is exclusively reserved to the Federal Government and specifically to the vertically integrated state owned monopoly, the Federal Electricity Commission (CFE). However, since 1992 private participation has been allowed for self-supply, cogeneration, and direct sales to CFE. These exceptions permit municipalities and others to form self-supply collectives. For the first time in Mexico, municipalities have formed a collective that will benefit from wind energy.

3. (U) According to Salvador Trevino Garza, head of the Tamaulipas Environmental Agency for Sustainable Development, Los Vergeles will be the largest capacity wind-power installation in Mexico and the first to supply energy to the public sector. (Note: In total, the Isthmus of Tehuantepec in Oaxaca has more installed capacity, but the area is broken down into a series of

individual installations. End note) Los Vergeles will have 70 Siemens wind turbines on 1800 hectares, with a generative capacity of 2.3 megawatts (MW) per turbine for a total installed capacity of 161MW. Generators will be purchased from Denmark, blades from the U.S., and bases from Chihuahua, Mexico. Trevino Garza favorably compares the project to other wind energy sites in Mexico including a private 90MW installation in Oaxaca (CEMEX), and a 10MW project in Baja California. Trevino Garza has stated the project is scheduled to break ground in November 2009 and be completed by November 2010. (Note: Post had not seen an announcement for a groundbreaking ceremony at Los Vergeles as of November 13. End note)

14. (U) Renewable Energy Systems Americas (RES), of Austin, Texas, will oversee construction and administer provisioning of CFE's distribution line. After construction RES will be responsible for the operation of the plant for two years. Tamaulipas officials have the option to renew the contract after the initial two-year term. At RES's request, CFE has completed a preliminary study of the technical needs to provision interconnectivity of Los Vergeles with the Matamoros grid.

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Energy and environmental savings are forecast  
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15. (U) The project is designed to generate 475,000 gigawatts (GW)/year. According to Trevino Garza, the largest nine cities in Tamaulipas currently consume 442,000GW hours/year at an average cost of approximately 0.13 USD per KWh. Energy from Los Vergeles is forecast to cost approximately 0.126 USD per KWh. It is unknown what the managing company, Renewable Energy Systems Americas, will charge per KWh.

16. (U) Electricity generation in Tamaulipas currently produces  
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170,000 tons of greenhouse gases annually. Trevino Garza estimates that Los Vergeles will generate 300,000 carbon credits annually, based on a projected capacity of 161MW. He hopes these carbon credits will generate income in the future.

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Funding and BECC certification still pending  
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17. (SBU) According to Trevino Garza, the total cost of Los Vergeles will be 318 million U.S. dollars (USD). NADBANK funding will be approximately 84 million USD. BECC's Director of Planning and Technical Assistance, Mario Vasquez noted the size of the commercial funding package is a challenge. According to Vasquez, Trevino Garza is working with Mexican wind-energy developer Grupo Soluciones en Energias Renovables (GSEER) to put together commercial funding from approximately five different banks. Commercial financial sources may include: Ecobanca (154 million USD), and Fondo Macquire (80 million USD). The details are not yet finalized. Vasquez notes NADBANK is missing the project's financial analysis from Tamaulipas, due to difficulties in creating the commercial financing package in a tight credit market.

18. (SBU) In local media Trevino Garza has stated that Los Vergeles has been certified by BECC to be funded by NADBANK. BECC confirms the project is currently in the development phase but says it is not yet approved for NADBANK funding as Trevino Garza has claimed. BECC sources believe that Trevino Garza is under intense pressure from Tamaulipas Governor Hernandez Flores to get Los Vergeles operational before Hernandez Flores leaves office in a year and a half. As a result, Trevino Garza brought GSEER into the project to put together commercial funding and provide a bridge loan in order to break ground in November 2009 before BECC certification. BECC expects to certify the project in the first quarter of 2010. GSEER has placed a 270 million USD order for the delivery and installation of 70 wind turbines with Siemens Energy, and plans to recover the investment after

the project is certified by BECC and funded by NADBANK and commercial funding.

19. (SBU) Our BECC contact also shared with EconOff that several items required for BECC to certify Los Vergeles have not been received. In order to proceed with the technical assessment, BECC needs an environmental assessment study from Tamaulipas, approvals from the Mexican Secretary of Environment and Natural Resources (SEMARNAT), and agreements from CFE and the Mexican Regulatory Energy Commission (CRE). In order to meet the Governor's accelerated time table, project technical specifications may change, as an opportunity to buy up recently cancelled European orders from Siemens could cut the normal 24 month project lead time to 8 months. BECC states the chance of the project being 100 percent completed in a year and a half is slim, but some turbines could be up and running in that time.  
BARKIN